

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

Revised to reflect correct year by year impact

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2012-13		FY 2013-14	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS		(\$51,803,000)	\$53,100	(\$ 130,894,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS		(\$51,803,000)	\$53,100	(\$ 130,894,000)

*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 970 amends Nebraska statutes dealing with the individual income tax, corporate income tax, and the inheritance tax.

The bill reduces individual income tax rates, widens the tax brackets, reduces the top corporation income tax rate, and repeals the county inheritance tax. The proposed income tax changes are to go into effect for tax years beginning on or after January 1, 2013 and the change in the inheritance tax applies to persons dying on or after January 1, 2013. The bill eliminates the primary income tax rate (currently 3.70%) and the factors used to compute the tax rates and replaces them with a set of brackets and tax rates.

It should be noted that the reduction in the top corporation tax rate also impacts the financial institution's tax.

The new individual income tax rates and tax brackets proposed by LB 970 are as shown:

Bracket Number:	Married, Filing Jointly:	Head of Household:	Single Individuals:	Tax Rate:
1	0 - 6,000	0 - 5,600	0 - 3,000	2.42%
2	6,000 - 36,500	5,600 - 29,200	3,000 - 18,250	3.40%
3	36,500 - 60,000	29,200 - 44,500	18,250 - 30,000	4.90%
4	Over 60,000	Over 44,500	Over 30,000	6.70%

The new corporation income tax top rate is 6.70% for income over \$100,000 (the current rate is 7.81%).

The Department of Revenue estimates the following fiscal impact of LB 970. This impact estimate is based on the October 2011 revenue forecasts, and the revenue impact assumes that the Department issues updated withholding tables effective on January 1, 2013.

General Fund Impact (in millions of dollars):

Fiscal Year:	Individual Income Tax:	Corporation Income Tax:	Financial Institutions Tax:	TOTAL:
FY2011-12:	0.000	0.000	0.000	0.000
FY2012-13:	(45.343)	(6.052)	(0.408)	(51.803)
FY2013-14:	(111.270)	(18.385)	(1.239)	(130.894)
FY2014-15:	(117.086)	(25.135)	(1.695)	(143.916)
FY2015-16:	(122.940)	(26.090)	(1.759)	(150.789)

The Department also estimates that the cost to administer LB 970 includes a one-time mainframe programming cost of \$53,100.

There is no basis to disagree with the Department's estimate of fiscal impact and cost.

IMPACT TO POLITICAL SUBDIVISIONS:

The Department of Revenue indicates the impact to the counties as a result of the proposed repeal of the inheritance tax at an estimated \$43,200,000 reduction. This is based on an average of the last two years of inheritance tax collections obtained from each county's audit reports filed with the Auditor of Public Accounts.

We agree with the Department's estimate of fiscal impact.

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Lyn Heaton	DATE	1/25/12	PHONE	471-2526
COMMENTS					
DEPT. OF REVENUE – No basis upon which to disagree with agency estimate. LB727, introduced at the request of the department to eliminate various registered and certified mailing requirements, will save \$117,000 on a recurring basis, which is more than adequate to cover the costs to implement this bill.					
LANCASTER COUNTY – According to information available from the Auditor of Public Accounts, the estimate appears within a reasonable range.					
NACO – It is our understanding that the inheritance tax is not uniformly reported to the Auditor of Public Accounts. Consequently, information is not readily available in a form that would allow an independent corroboration of survey results.					

Current Individual Tax Rates and Brackets				
Bracket Number	Married, Filing Joint	Head of Household	Single Individuals	Tax Rate
1	\$0 - 4,800	\$0 - 4,500	\$0 - 2,400	2.56%
2	\$4,800 - 35,000	\$4,500 - 28,000	\$2,400 - 17,500	3.57%
3	\$35,000 - 54,000	\$28,000 - 40,000	\$17,500 - 27,000	5.12%
4	Over \$54,000	Over \$40,000	Over \$27,000	6.84%

LB 970 Individual Income Tax Rates & Brackets				
Bracket Number	Married, Filing Joint	Head of Household	Single Individuals	Tax Rate
1	\$0 - 6,000	\$0 - 5,600	\$0 - 3,000	2.42%
2	\$6,000 - 36,500	\$5,600 - 29,200	\$3,000 - 18,250	3.40%
3	\$36,500 - 60,000	\$29,200 - 44,500	\$18,250 - 30,000	4.90%
4	Over \$60,000	Over \$44,500	Over \$30,000	6.70%

Current Corporation Tax Rates and Brackets	
Bracket Number	Tax Rate
\$0 - 100,000	5.58%
Over \$100,000	7.81%

LB 970 Corporation Tax Rates and Brackets	
Bracket Number	Tax Rate
\$0 - 100,000	5.58%
Over \$100,000	6.70%

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LB⁽¹⁾ 970 FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Lancaster County

Prepared by: ⁽³⁾ Dennis Meyer Date Prepared: ⁽⁴⁾ January 19, 2012 Phone: ⁽⁵⁾ 402-441-6869

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2012-2013</u>		<u>FY 2013-2014</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	<u>(\$3,300,000)</u>	_____	<u>(\$6,600,000)</u>
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>_____</u>	<u>(\$3,300,000)</u>	<u>_____</u>	<u>(\$6,600,000)</u>

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate: There is no easy way to estimate the total loss of inheritance tax. The amount fluctuates each year as can be seen in the amount Lancaster County received in the last three fiscal years - \$6,685,528 in FY2011, \$4,631,373 in FY2010, and \$6,196,893 in FY2009. Lancaster County deposits the inheritance tax in the general fund and uses each year to cover operating expenditures. The estimated loss in FY2012-2013 is half of FY2013-2014 because of the January 1, 2013 date in the bill.

MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2012-2013 EXPENDITURES</u>	<u>2013-2014 EXPENDITURES</u>
	<u>12-13</u>	<u>13-14</u>		
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

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LB⁽¹⁾ 970 FISCAL NOTE

State Agency OR Political Subdivision Name: (2)

Nebraska Association of County Officials (NACO)

Prepared by: Elaine Menzel (3)

Date Prepared: 1/19/2012 (4)

Phone: 402.434.5660, ext. 225 (5)

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2012-2013		FY 2013-2014	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS		(23,508,000)		(47,016,000)
TOTAL FUNDS		(23,508,000)		(47,016,000)

Return by date specified or 72 hours prior to public hearing, whichever is earlier. Explanation of Estimate:

Included within the provisions of LB 970 is the complete elimination of inheritance taxes received by counties. This provision would apply to persons dying after January 1, 2013; therefore, FY 2012-2013 shows the impact of one half of the fiscal year. FY 2013-2014 is for a full year. The figure of \$47,016,000 was obtained from survey results from 83 counties for FY 2010/2011. In FY 2009/2010, 83 counties received \$38,723,786 and in FY 2008/2009, those same counties received \$41,240,250.

MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2012-2013 EXPENDITURES	2013-2014 EXPENDITURES
	12-13	13-14		
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				